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Securities Regulation & Corporate Governance Update

June 16, 2026

Key Current Securities and Governance Issues for Boards of Directors

Navigating recent SEC rule proposals, shifting investor engagement, and other new securities regulation and corporate governance developments.

A deregulatory Securities and Exchange Commission (SEC), an increasingly fragmented investor engagement landscape, and continued competition among states to serve as the preferred jurisdiction of incorporation are reshaping the public company governance environment. The headline development since the start of the year is the SEC's move from policy signaling to actual rulemaking: in May 2026, the Commission issued a suite of proposals that, if adopted, would materially change reporting cadence, capital-raising mechanics, and disclosure obligations. A central theme of these proposals as well as the SEC's recent administration of the shareholder proposal rule is the promotion of private ordering: fewer mandatory requirements and greater flexibility to accommodate company-specific circumstances. Moreover, the SEC has invited input on additional rulemaking initiatives, including significantly revising executive compensation disclosures, revising Regulation S-K, which prescribes the required disclosures in Form 10-K, Form 10-Q and other SEC filings, and additional securities offering communication reforms. Each of these initiatives are expected to result in rule proposals before year-end.

SEC rule proposals. Management should track four May 2026 rule proposals and discuss their potential implications with their boards of directors:

- **Optional semiannual reporting (proposed May 5).** The proposed rule would permit companies to file a new Form 10-S covering the first six months of their fiscal year in lieu of filing a Form 10-Q for each of the first three fiscal quarters.[1] Under the rule proposal, semiannual reporting would be voluntary, and a company that elects semiannual reporting may continue to issue quarterly earnings releases. Each company will need to assess its particular circumstances in determining whether to opt into semiannual reporting, continue quarterly reports on Form 10-Q, or take a hybrid approach, considering factors including: investor and analyst expectations and feedback; the implications for securities trading by insiders; stock repurchases by the company; Regulation FD risks that could arise from longer periods between financial reports or SEC periodic reports; potential implications for internal controls systems; the extent of any cost savings (particularly if a company continues to issue quarterly financial results); and the possibility that some of the burdens of quarterly reporting on Form 10-Q will be alleviated through the SEC's anticipated amendments to Regulation S-K. See our client alert discussing the proposed rule here.

- **Filer status simplification (proposed May 19).** The proposed rule would collapse filer categories into "large accelerated" and "non-accelerated" filers and raise the large accelerated filer public float threshold from $700 million to $2 billion. In addition, any company regardless of size would be eligible for "non-accelerated" filer status during the first five years following its initial public offering. The SEC estimates that these revisions would result in less than 20% of current public companies being subject to the "full" reporting requirements applicable to large accelerated filers.[2] The other 80% would be eligible to benefit from the more streamlined disclosure requirements available to smaller companies, including relief from auditor assessments of internal control over financial reporting and exemption from the requirements to hold shareholder advisory votes to approve executive compensation (commonly known as "say-on-pay" votes), on the frequency of say-on-pay votes, and on golden parachute compensation in connection with mergers and acquisitions. As with semiannual reporting, companies qualifying as non-accelerated filers could elect to voluntarily follow some or all of the disclosure practices applicable to large accelerated filers, such as holding an annual say-on-pay vote to mitigate the possibility that any shareholder concerns with compensation decisions result in votes against directors serving on the compensation committee. See our client alert discussing the proposed rule here.

- **Registered offering modernization (proposed May 19).** The proposed rule would substantially expand eligibility for short form and shelf registration on Form S-3 and extend pre-filing communication flexibility to a larger group of smaller public companies.[3] The rule proposal would also preempt state "blue sky" review for all registered offerings. If adopted, the rule proposal would facilitate access to the public markets for many companies, including newly public companies and companies that currently can be disqualified from favorable regulatory treatment due to "foot-fault" timely filing deficiencies. Boards and finance teams at companies that may benefit from the expanded Form S-3 benefits should consider whether existing capital plans, financing authorizations, and disclosure controls are appropriate for taking advantage of these changes and accessing markets more quickly, including through at-the-market programs and unlimited-size, automatically effective Form S-3 filings. Companies considering pursuing an initial public offering (IPO) in the future should revisit timing and the longer-term cadence of capital raising given the potentially reduced compliance expense and greater capital raising opportunity available following completion of the IPO. See our client alert discussing the proposed rule here.

- **Climate disclosure rules rescission (proposed May 29).** The proposed rule would formally withdraw the 2024 climate disclosure rules in their entirety.[4] The practical impact is limited given the existing stay of the rules, but the proposal confirms a significant shift in SEC priorities. The SEC estimates annualized cost savings of approximately $4.9 billion if the rules are rescinded. Companies will need to continue assessing the implications on any voluntary climate-related reporting they prepare, including whether to follow the reporting framework of the Task Force on Climate-Related Financial Disclosures (TCFD), which heavily influenced the SEC's rule proposal. See our client alert discussing the proposed rule here.

Shareholder proposals. The Rule 14a-8 shareholder proposal regime is in flux. In November 2025, the SEC staff announced that, subject to a limited exception, it would suspend its historical practice of issuing no-action responses to companies that notified it of their intention to exclude shareholder proposals from their proxy statements pursuant to Rule 14a-8, leaving exclusion determinations to companies.[5] This has introduced uncertainty, leading to fewer shareholder proposal exclusions, a rise in negotiated resolutions resulting in proposals being withdrawn, and several lawsuits over exclusions, some of which settled quickly. However, in two such lawsuits, the court denied the proponent's request for an injunction to force the company to include the proposal in the proxy statement, while in another case, the court approved such an injunction. The possibility that the SEC staff will continue not to issue responses to the vast majority of no-action requests could result in more proposals and, where excluded, more litigation. Boards also should evaluate the results of the 2026 proxy season and consider whether to alter their approach for the coming year. The SEC's rulemaking agenda includes proposing rules to "modernize" Rule 14a-8,[6] and SEC Chairman Atkins has separately suggested that companies may be able to exclude precatory (non-binding) proposals as improper under state law.[7] Taken as a whole, the market has read these developments as signaling additional significant changes to the Rule 14a-8 shareholder proposal regime. Repeal or substantial revision of Rule 14a-8 would create a major governance transition, and company advisers and boards should start to consider how they will respond.

Investor engagement. Investor engagement is shifting. The SEC's updated guidance regarding Schedule 13D/13G "passive investor" status[8] has changed engagement, with both BlackRock and Vanguard's U.S. engagements falling sharply year-over-year,[9] and pushed more investors into listen-only meetings. Vanguard, BlackRock, and State Street have split their stewardship teams and are expanding pass-through "voting choice," each of which dilutes the predictability of their votes. Glass Lewis has announced that it will drop its single benchmark recommendation in 2027, though it is unclear when the change will occur and in what form the go-forward approach will take;[10] ISS has moved to a case-by-case approach on environmental and social matters;[11] it was reported that JPMorgan will stop using external proxy advisory firms in favor of its own artificial intelligence (AI) proxy tool;[12] and Wells Fargo has launched an internal proxy voting system to reduce its reliance on third parties.[13] The net effect is that voting outcomes are becoming less predictable, potentially increasing the value of clear, compelling proxy messaging and direct, board-led engagement with the largest holders in which the board sets the agenda.

Executive compensation. Significant changes are afoot in the design and disclosure of executive compensation. Companies and their advisors had their first look during the 2026 proxy season after Glass Lewis and ISS implemented revised pay-for-performance analyses and voting guidelines for executive compensation. Glass Lewis introduced several new evaluation metrics, while ISS shifted its policy perspective on several issues, including viewing long-term service-vested restricted stock units as an acceptable alternative to performance-vesting equity awards.

As noted above, upcoming SEC proposals to significantly revise executive compensation disclosure may also allow greater flexibility in the design and implementation of executive compensation programs. For example, the Summary Compensation Table may cease to present a "Total Compensation" figure that combines current cash compensation with the accounting value of equity awards (which in the context of restricted stock and certain performance-based awards, fails to reflect vesting term or the potential for above- or below-target payouts). Boards may wish to start evaluating whether and how they may adjust their executive compensation programs in light of these developments.

State of incorporation. A substantial majority of S&P 500 companies remain incorporated in Delaware. However, following several off-market judicial decisions regarding corporate matters in Delaware, some companies have proposed to reincorporate in Texas and Nevada, and states are competing for incorporations. Recent amendments to Delaware law have expanded officer exculpation, codified controlling shareholder safe harbors, and narrowed the books and records right to provide a more predictable corporate law framework,[14] but "Dexit" continues at the margins.[15] Most public companies have not left Delaware, given the shareholder approval requirement for reincorporation, high transaction costs, proxy advisory firms' opposition to reincorporation, and some uncertainty about how other states' corporate laws would be interpreted due to less developed caselaw. However, there have been a number of high-profile departures, and it has been reported that 61.8% of companies going public in 2025 chose Delaware as compared to 80.2% in 2024, 80.0% in 2023, and 88.8% in 2022.[16] Large institutional investors are learning about and evaluating reincorporation proposals and the effect of various state law provisions on a case-by-case basis. Their evaluations include assessing the rationale for reincorporating, expected economic benefits, impacts on a company's exposure to frivolous or costly litigation that produces few tangible benefits to continuing shareholders, changes in the ability of shareholders to take various actions, and other potential implications of reincorporation, as well as a company's broader governance profile. Boards weighing a move should evaluate the same factors, as well as commentary and voting precedents of their significant shareholders, so they may approach any decision in a deliberate, well-documented manner.

Additional key topics. Two additional areas boards should focus on now are AI oversight and prediction markets. Directors are expected to understand how AI bears on strategy and enterprise risk management, and an understanding of AI and how it is operating at their company is increasingly expected in the boardroom. Directors need not be AI experts, but the board ideally should be assured that the company is deliberately deciding how AI is deployed. Three common issues for briefing and board oversight are: (1) who is responsible for AI's outputs and what testing and validation is being performed; (2) how is AI-generated information deployed, protected and retained; and (3) how are AI issues identified and escalated. Separately, given the current focus of the Commodity Futures Trading Commission (CFTC) and the Department of Justice on insider trading on prediction markets transactions,[17] boards should also consider whether their codes of conduct or insider trading policies should be updated to expressly prohibit the use of nonpublic information in making or influencing prediction market transactions.

[1]*See Semiannual Reporting*, Release No. 33-11414 (May 5, 2026) [91 Fed. Reg. 24968]. The public comment period ends on July 6, 2026.

[2]*See Enhancement of Emerging Growth Company Accommodations and Simplification of Filer Status for Reporting Companies*, Release No. 33-11419 (May 19, 2026) [91 Fed. Reg. 30086].

The public comment period is open until July 20, 2026. If the proposed amendments were in place today, 19.2% of current public companies would be large accelerated filers (compared to 35.4% currently) and 80.8% would be non-accelerated filers (compared to 51.9% currently). *See id.; Fact Sheet: Enhancing the Public Company Reporting Framework* (May 19, 2026), https://www.sec.gov/files/33-11419-fact-sheet.pdf.

[3]*See Registered Offering Reform*, Release No. 33-11418 (May 19, 2026) [91 Fed. Reg. 31022]. The rule proposal would eliminate "Well-Known Seasoned Issuer" (WKSI) status for domestic issuers in favor of new "Eligible Listed Issuer" (ELI) and "Seasoned Eligible Listed Issuer" (SELI) categories. ELIs are those issuers eligible to use Form S-3 with at least one class of common equity listed on a national securities exchange. SELIs are ELIs that have reported under the Exchange Act for at least 12 full calendar months. ELIs would receive all current WKSI benefits other than the ability to file an automatic shelf registration statement effective immediately upon filing, which would be available only to SELIs. The public comment period ends on July 27, 2026.

[4]*See Rescission of Climate-Related Disclosure Rules*, Release No. 33-11421 (Aug. 3, 2026) [91 Fed. Reg. 33296]. The public comment period ends on August 3, 2026. The rules proposed for rescission are *The Enhancement and Standardization of Climate-Related Disclosures for Investors*, Release No. 33-11275 (Mar. 6, 2024) [89 Fed. Reg. 21668]. See our discussion of that final climate change rule here.

[5] *See* SEC Division of Corporation Finance, "Statement Regarding the Division of Corporation Finance's Role in the Exchange Act Rule 14a-8 Process for the Current Proxy Season" (Nov. 17, 2025), *available at* https://www.sec.gov/newsroom/speeches-statements/statement-regarding-division-corporation-finances-role-exchange-act-rule-14a-8-process-current-proxy-season.

[6] *See* "Shareholder Proposal Modernization," *available at* https://www.reginfo.gov/public/do/eAgendaViewRule?pubId=202504&RIN=3235-AN47. President Trump also issued an Executive Order on December 11, 2025 targeting proxy advisory firms and directing Chairman Atkins to consider revising or rescinding any rules, including Rule 14a-8, that are inconsistent with the order's purpose. *See* The White House, *Protecting American Investors from Foreign-Owned and Politically-Motivated Proxy Advisors* (Dec. 11, 2025), *available at* https://www.whitehouse.gov/presidential-actions/2025/12/protecting-american-investors-from-foreign-owned-and-politically-motivated-proxy-advisors/.

[7]*See* Chairman Paul S. Atkins, "Keynote Address at the John L. Weinberg Center for Corporate Governance's 25th Anniversary Gala" (Oct. 9, 2025) (suggesting that, because Delaware law confers no inherent right for stockholders to vote on precatory proposals, such proposals may be excludable under Rule 14a-8(i)(1) as not a "proper subject" for shareholder action under state law), *available at* https://www.sec.gov/newsroom/speeches-statements/atkins-10092025-keynote-address-john-l-weinberg-center-corporate-governances-25th-anniversary-gala.

[8] *See* SEC Division of Corporation Finance, *Exchange Act Sections 13(d) and 13(g) and Regulation 13D-G Beneficial Ownership Reporting*, Questions 103.11 and 103.12 (updated Feb. 11, 2025). See our discussion here.

[9] *See* Reuters, "BlackRock, Vanguard scale back company talks as new guidance bites" (Sept. 19, 2025), *available at* https://www.reuters.com/sustainability/boards-policy-regulation/blackrock-vanguard-scale-back-company-talks-new-guidance-bites-2025-09-19/.

[10] See Glass Lewis, "Glass Lewis Leads Change in Proxy Voting Practices" (Oct. 15, 2025), *available at* https://www.glasslewis.com/news-release/glass-lewis-leads-change-in-proxy-voting-practices.

[11] *See* ISS, "ISS Governance Announces 2026 Benchmark Policy Updates" (Nov. 25, 2025), *available at* https://www.iss-stoxx.com/press-releases/iss-governance-announces-2026-benchmark-policy-updates/.

[12] *See* The Wall Street Journal, "JPMorgan Cuts All Ties With Proxy Advisers in Industry First" (Jan. 7, 2026), *available at* https://www.wsj.com/finance/banking/jpmorgan-cuts-all-ties-with-proxy-advisers-in-industry-first-78c43d5f?st=BipA9U.

[13] *See* Wells Fargo, "Wells Fargo Wealth & Investment Management Launches Internal Proxy Voting System" (Jan. 28, 2026), *available at* https://newsroom.wf.com/news-releases/news-details/2026/Wells-Fargo-Wealth--Investment-Management-Launches-Internal-Proxy-Voting-System/default.aspx.

[14] We discuss the recent controller transaction and inspection demand amendments in our client alert here.

[15] *See* Dexit Tracking Portal (June 12, 2026), *available at* https://leavedelaware.org/tracking (reporting that, since 2024, there have been 68 proposed reincorporations, redomiciliations, and other similar transactions).

[16] Houlihan Lokey, "PLI Mergers & Acquisitions 2026: Advanced Trends and Developments – Reincorporations and Redomestications" (Feb. 2, 2026).

[17] We discuss the CFTC enforcement advisory concerning prediction markets in our client alert here and the CFTC's recent proposed rulemaking concerning event contracts involving enumerated activities here.

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